

Message Text

CONFIDENTIAL

PAGE 01 LIMA 05146 261715Z

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ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 FEA-02 SCI-06 NSC-07

SS-20 STR-08 CEA-02 L-03 H-03 PA-04 PRS-01 USIA-15

EA-11 DRC-01 /180 W

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R 261632Z JUN 74

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 716

C O N F I D E N T I A L LIMA 5146

E.O. 11652: GDS

TAGS: BEXP, ETRD, ENRG, PE

SUBJECT: OCCIDENTIAL-PETROPERU AGREEMENT ON FEEDER PIPELINE
FINANCING

REF: LIMA 4852

1. PRESIDENT OF PETROPERU, GENERAL FERNANDEZ BACA CALLED IN EMBASSY OFFICERS JUNE 25 TO REITERATE TO THEM FACT THAT PETROPERU AND OCCIDENTAL WORKING HAND IN GLOVE ON FEEDER PIPELINE FINANCING AND THAT PETROPERU FULLY UNDERSTANDS AND ACCEPTS OCCIDENTAL'S RATIONALE FOR WITHDRAWING FROM FINANCING OF FEEDER LINE. FERNANDEZ BACA SAID HE HAD DISCUSSED THIS MATTER PERSONALLY WITH ARMAND HAMMER AND THAT BOTH ORGANIZATIONS ARE FULLY IN ACCORD SINCE OXY NOT IN A POSITION, DUE TO OTHER COMMITMENTS IN WORLD, TO PICK UP FINANCING FOR PERUVIAN PIPELINE. THE GENERAL ADDED THAT OXY PRESIDENT JOE BEARD NOW IN WASHINGTON TO SUPPORT TO THE EXTENT POSSIBLE PETROPERU REQUESTS TO EXIMBANK AND OTHERS FOR ADDITIONAL FINANCING, AND THAT THIS SUPPORT FURTHER EVIDENCE OF OXY'S CLOSE COOPERATION WITH PETROPERU.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LIMA 05146 261715Z

2. FERNANDEZ BACA STRESSED THAT HE WISHES DEPARTMENT OF

STATE AND EMBASSY TO HAVE NO DOUBTS ON THIS SCORE, SO THAT "FRUITFUL COLLABORATION" BETWEEN PERU AND U.S. OIL COMPANIES CAN CONTINUE APACE.

3. FERNANDEZ BACA ALSO EMPHASIZED THAT ORIGINAL INITIATIVE FOR CHANGE OF FINANCING CAME FROM OCCIDENTAL, BUT THAT BOTH PARTIES AGREED THAT IT WOULD BE PREFERABLE THAT THE OFFICIAL ANNOUNCEMENT BE MADE BY PERU SO THAT THE PUBLIC WOULD PERCEIVE THE CHANGE AS EMANATING FROM THE GOP AND NOT THAT A MAJOR U.S. COMPANY WAS BACKING OFF.

4. IN REGARD TO TOTAL FINANCING PACKAGE, FERNANDEZ BACA SAID JAPANESE CREDITS CAN BE USED FREELY FOR FINANCING U.S. IMPORTS, ALTHOUGH A PORTION WILL BE USED TO PAY FOR THE JAPANESE PIPE, AND POSSIBLE THE GERMAN PIPE AS WELL. HE SAID THAT PETROPERU IS INCLINED TO ACCEPT BIDS FOR PIPELINE CONSTRUCTION FROM U.S. COMPANIES, AND THAT A FINAL DECISION ON THE CHOICE OF BIDDER(S) WILL BE MADE WITHIN 15 DAYS.

5. COMMENT: THIS UNUSUAL STEP TO REASSURE USG INDICATES PETROPERU'S SENSITIVITY TO ANY SIGN OF A LOSS OF CONFIDENCE ON THE PART OF POTENTIAL FOREIGN SOURCES OF FINANCING (AS WELL AS THE U.S. OIL COMPANIES INVOLVED) AND UNDERLINES ITS DESIRE TO MAINTAIN THE MOST POSITIVE IMAGE POSSIBLE. FURTHER, FERNANDEZ BACA INTIMATED THAT HE WAS CONCERNED NOT ONLY ABOUT EFFECT OVERSEAS, BUT ALSO WITHIN GOP WHERE CERTAIN CRITICS (PRESUMABLY RADICALS) MIGHT CLAIM THAT PERU HAD BEEN DUPED BY A FOREIGN COMPANY. FINALLY, EMBASSY HAD UNDERSTOOD THAT FINANCING FOR JAPANESE AND GERMAN PIPE WOULD COME FROM SUPPLIERS BUT IT NOW APPEARS THAT JAPANESE LOAN MAY BE USED FOR THESE PIPE PURCHASES AS WELL.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, PETROLEUM PRODUCTION
Control Number: n/a
Copy: SINGLE
Draft Date: 26 JUN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: WorrelSW
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LIMA05146
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740169-0224
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740613/aaaaakht.tel
Line Count: 93
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: LIMA 4852
Review Action: RELEASED, APPROVED
Review Authority: WorrelSW
Review Comment: n/a
Review Content Flags:
Review Date: 19 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 SEP 2002 by rowelle0>; APPROVED <26 FEB 2003 by WorrelSW>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OCCIDENTIAL-PETROPERU AGREEMENT ON FEEDER PIPELINE FINANCING
TAGS: BEXP, ETRD, ENRG, PE, OCCIDENTAL-PETROPERU
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005